

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of

THE FILING OF PLANS BY ELECTRIC UTILITIES)
CONCERNING THE FEASIBILITY OF IMPLEMENTING) ADMINISTRATIVE
CERTAIN RATE DESIGN STANDARDS AND METHODS) CASE # 203

O R D E R

The Public Service Commission, predecessor to the Energy Regulatory Commission, initiated affirmative consideration proceedings with regard to the following six rate design standards and methods:

- (1) Cost of service
- (2) Declining block rates
- (3) Time-of-day rates
- (4) Seasonal rates
- (5) Interruptible rates
- (6) Load Management techniques

The order of March 30 found that electric utilities under the jurisdiction of the Commission should investigate the feasibility of the above rate design standards and methods as to their cost-effectiveness and energy conservation.

The rate design standards and methods enumerated above are identical to those contained in the Public Utilities Regulatory Policies Act of 1978 (PURPA), Public Law 95-617, Subtitle B, Section 111(d). Utilities with retail sales of electricity exceeding 500 million kwh during any calendar year beginning after December 31, 1975, and before the immediately preceding calendar year are required by PURPA to study the feasibility of implementing the rate design standards and methods mentioned above.

All utilities not subject to these PURPA requirements have requested exemptions or extensions in complying with 203. East Kentucky Power, in its own behalf and that of its eighteen (18) distribution utilities, moved for an exemption

alleging that the cost of compliance (which it states to be \$1,371,319) would place a severe financial and unreasonable financial burden on the East Kentucky Power system necessitating further rate increases. The company also questions the economic benefit versus cost of complying with the order. The company notes that Congress has exempted the utility and its distributors on two grounds and argues that the Energy Regulatory Commission should do likewise. Big Rivers, in its own behalf and on behalf of its four (4) distributing utilities, alleges in summary that the probable cost of merely studying the rate design standards in depth exceeds any economic benefit which might be realized by such implementation and that the current load factors and customer makeup of the system are such that the implementation of all or any of the standards enumerated above would have a negligible influence on energy conservation.

Berea Electric, with 3,200 customers and total employees of 9 and current annual gross sales of \$1,891,305.44, has requested that they not be required to initiate the required considerations until its wholesale supplier (Kentucky Utilities) has done so and at that time they be permitted to employ a consultant to conduct studies.

While the Commission does not now make a determination of the merits of utility allegations in support of their motions for exemption from the order dated March 30, 1979, it does recognize that there is an uncertainty as to the cost/benefit ratio of complying with Subtitle B, Section 111(d) of Public Law 95-617 and other requirements mandated by PURPA. Four (4) major electric utilities* in Kentucky are required by PURPA to meet the six (6) enumerated and other Purpa requirements. This consideration will result in significant expenditures by the utilities which will ultimately be paid by the consumer. Hopefully, the consumer benefits will in time outweigh the costs.

Congress has required it and this Commission is committed to implementing these requirements, but in a manner calculated to obtaining the most favorable results for the Kentucky consumer

and Kentucky utilities. However, recognizing the theoretical and uncertain resulting benefits from these efforts, it seems a far more prudent course of action to limit this mandate to those utilities that Congress has determined should be required to take affirmative action and to weigh the results of these activities before extending the requirements to "uncovered" utilities. This is not to say that the Commission should not require at some future date a utility to undertake a cost of service study or such other affirmative action as the Commission determines to be appropriate for the benefit of the consumer and the utility.

As to "covered" utilities, the effect of Administrative Order 203 dated March 30, 1979 should be interpreted as no more than having required those utilities to begin a task that they are required to eventually undertake in any event under the provisions of Subtitle B, Section 111(d) of Public Law 95-617. Furthermore, that order and subsequent orders in this case must not be interpreted as being all inclusive as to the requirements of utilities or of this Commission under Public Law 95-617.

IT IS THEREFORE ORDERED that the motions for exemptions as to the provisions of the orders in Administrative Case #203 of Big Rivers Electric and its four (4) distribution coops**, and East Kentucky Power and its eighteen (18) distribution coops***, be and are hereby sustained. Berea Electric is likewise exempted.

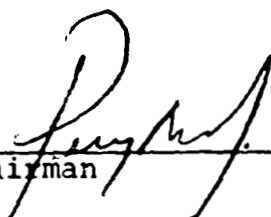
*Kentucky Utilities, Kentucky Power, Louisville Gas and Electric, and Union Light, Heat and Power. Two have motions before the Federal Energy Regulatory Commission for exemptions.

**Green River RECC, Henderson-Union RECC, Meade County RECC, and Jackson Purchase RECC.

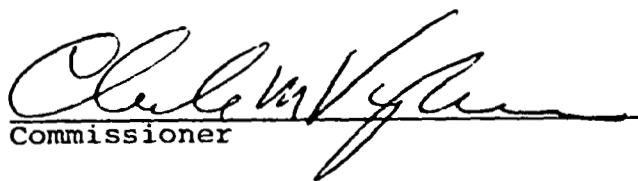
***Grayson RECC, Licking Valley RECC, Farmers RECC, Shelby RECC, Owen County RECC, Nolin RECC, Cumberland Valley RECC, Inter-County RECC, South Kentucky RECC, Clark RECC, Jackson County RECC, Fleming-Mason RECC, Big Sandy RECC, Harrison County RECC, Blue Grass RECC, Salt River RECC, Taylor County RECC, and Fox Creek RECC.

Done at Frankfort, Kentucky this 8th day of February, 1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice-Chairman


Commissioner

ATTEST:

Secretary